

Message Text

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PAGE 01 BEIRUT 03062 290634Z
ACTION XMB-04

INFO OCT-01 NEA-10 EB-07 ISO-00 AID-05 TRSE-00 CIAE-00

INR-07 NSAE-00 /034 W

-----121181 290637Z /14

R 281435Z JUN 77
FM AMEMBASSY BEIRUT
TO SECSTATE WASHDC 4413

CONFIDENTIAL BEIRUT 3062

DEPT ALSO PASS AID AND EXIMBANK

E.O. 11652: GDS

TAGS: ECON EFIN OTRA LE

SUBJ: RECONSTRUCTION IN LEBANON

REF: BEIRUT 3018

1. THOMAS MORAN AND CHARLES HAMMOND OF EXPORT IMPORT BANK LUNCHEON WITH ME JUNE 24, ALONG WITH ASSEM SALAM OF RECONSTRUCTION AND DEVELOPMENT BOARD, SAMIR MAKDISI OF AUB'S ECONOMICS DEPARTMENT, AND SAMI AL AWAR OF GHASSAN TUENI'S ENTOURAGE. LEBANESE GUESTS LAUNCHED INTO LIVELY DISCUSSION OF CURRENT STATE OF ECONOMY AND AGREED ON FOLLOWING POINTS.

A. BANKS ARE VERY LIQUID, BUT VERY CONSERVATIVE. THEY HAVE MONEY TO INVEST, BUT ARE UNWILLING TO TAKE RISKS. BANKS IMPOSE STRINGENT CONDITIONS THAT PREVENT LEBANESE BUSINESSMEN FROM BORROWING.

B. GOL SHOULD TAKE RISKS AVOIDED BY BANKS, BUT IS UNWILLING TO DO SO. BEHAVIOR OF DEVELOPMENT BANK (HALF-OWNED BY GOVERNMENT) IS INDICATIVE. ALTHOUGH GOL HAS GIVEN THE BANK LL 75 MILLION TO USE AS CREDITS FOR BUSINESSMEN TO RESTORE CURRENT ASSETS, BANK HAD ONLY LOANED OUT LL 12 MILLION OF THIS AMOUNT.

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C. SUPPLIERS ARE UNWILLING TO EXTEND SHORT- OR MEDIUM-TERM CREDIT, AND ALMOST ALL BUSINESS TRANSACTIONS ARE IN CASH. THIS IS PLACING A SEVERE RESTRAINT ON BUSINESS ACTIVITY.

2. AS MIGHT BE EXPECTED, MAJOR POINT OF DISAGREEMENT REVOLVED AROUND POLITICAL SETTLEMENT. SALAM (A MEMBER

OF SUNNI ESTABLISHMENT) AND MAKDISI (A PROTESTANT LIVING IN WEST BEIRUT) MAINTAINED THAT GOL SHOULD GET BUSINESS GOING BEFORE ATTEMPTING TO REFORM LEBANON'S CONSTITUTIONAL SYSTEM. AL AWAR (A DRUZE LIVING IN BRUMMANA) CLAIMED THAT THERE COULD BE NO RESUMPTION OF BUSINESS CONFIDENCE UNTIL PALESTINIAN PROBLEM WAS SETTLED AND FINAL NEW POLITICAL ORDER ESTABLISHED FOR LEBANON.

3. THIS IS FREQUENTLY HEARD DEBATE. OF COURSE, ONE CANNOT BUT FAVOR "FINAL" POLITICAL SOLUTIONS. BUT IF THEY ARE A PREREQUISITE TO ECONOMIC ACTIVITY (HERE OR IN ANY OTHER COUNTRY), WE WILL HAVE A LONG WAIT.

PARKER

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANKERS, MEETINGS, ECONOMIC RECONSTRUCTION
Control Number: n/a
Copy: SINGLE
Sent Date: 28-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BEIRUT03062
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770231-0953
Format: TEL
From: BEIRUT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770612/aaaaaiya.tel
Line Count: 76
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ab36da75-c288-dd11-92da-001cc4696bcc
Office: ACTION XMB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 BEIRUT 3018
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2014573
Secure: OPEN
Status: NATIVE
Subject: RECONSTRUCTION IN LEBANON
TAGS: ECON, EFIN, OTRA, LE, XMB
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/ab36da75-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009